

Message Text

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ACTION NEA-10

INFO OCT-01 AF-06 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01

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FM AMEMBASSY ALGIERS

TO SECSTATE WASHDC 3809

INFO AMEMBASSY LAGOS

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C O N F I D E N T I A L ALGIERS 0312

E.O. 11652: GDS

TAGS: ENRG, AG

SUBJECT: ALGERIAN OIL PRICES AND OUTPUT LEVEL

1. IN DISCUSSIONS WITH SLIMANE BOUGUERRA, HEAD OF SONATRACH'S COMMERCIALIZATION DIVISION, FEBRUARY 5, EMBOFF ASKED IF CRUDE OIL EXPORT PRICE OF \$12.80-\$12.90 APPEARED LIKELY TO CONTINUE UNDER ALGERIAN FLEXIBLE PRICING SYSTEM INTO SECOND QUARTER OF 1976. BOUGUERRA REPLIED THAT UP UNTIL TWO WEEKS AGO ALGERIAN OIL PRICE INDEX CALCULATION WAS AT \$13.00 BUT HAD RECENTLY DROPPED TO \$12.96. FOR SECOND QUARTER, EXPORT PRICE FOR ALGERIAN OIL, HE BELIEVED, LIKELY TO AVERAGE ABOUT \$12.95.

2. ASKED WHAT ALGERIAN CURRENT CRUDE OIL PRODUCTION WAS RUNNING, BOUGUERRA BANGED AWAY ON HIS CALCULATOR FOR A MOMENT AND SAID 1976 PRODUCTION WOULD AVERAGE 1.152 MILLION BARRELS PER DAY INCLUDING CONDENSATE. EMBOFF NOTED THIS HIGHER THAN HE HAD UNDERSTOOD. BOUGUERRA REPLIED THAT 1975 PRODUCTION

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HAD AVERAGED 980,000 B/D. CFP'S MERCIAN FIELDS, STAH FIELDS,

AND HASSI MESSAOUD ITSELF WERE NOW ALL PRODUCING MORE, RAISING TOTAL OUTPUT. THIS OUTPUT LEVEL, HOWEVER, WAS STILL BELOW WHAT SONATRACH HOPED TO PRODUCE, BOUGUERRA SAID. SONATRACH HAD HAD TO HOLD BACK CERTAIN PRODUCTION IN 1975 FOR TECHNICAL-CONSERVATION REASONS, AND THIS SITUATION CONTINUED IN 1976.

3. OUT OF PRODUCTION OF 1.152 MILLION B/D OR ABOUT 53 MILLION TONS PER YEAR, BOUGUERRA ADDED, SONATRACH USED 5.5 MILLION TONS A YEAR TO FEED ITS OWN REFINERIES. SOME OF REFINED OUTPUT WAS ALSO EXPORTED. EIGHT MILLION TONS OF PRODUCTION WAS UNDER CONTROL OF CFP, WHICH LEFT SONATRACH ABOUT 40 MILLION TONS OF CRUDE OIL FOR EXPORT IN 1976.

4. EMBOFF ASKED IF SONATRACH STILL PLANNED TO EXPAND REFINERIES IN ARZEW AND ALGERIA AND BUILD NEW REFINERIES IN BEJAIA AND SIKKDA. BOUGUERRA SAID STUDIES WERE NOW UNDERWAY TO DETERMINE TYPES OF REFINERIES THAT WOULD BE NEEDED, I.E., WHAT OPTIMUM OUTPUT MIX WOULD BE. HE ADDED THAT ALGERIA STILL HAD POLICY GOAL OF EXPORTING 50 PERCENT OF ITS CRUDE OIL IN PRODUCT FORM BY 1982.

5. COMMENT: BOUGUERRA'S OIL PRODUCTION FIGURES ARE THE HIGHEST EMBASSY HAS SEEN. UP UNTIL THIS POINT, MOST ESTIMATES HAVE PUT RECENT PRODUCTION AT 950,000 B/D. BOUGUERRA'S FIGURES, EMBASSY BELIEVES, SHOULD BE ACCEPTED CAUTIOUSLY UNTIL CORROBORATING EVIDENCE IS AVAILABLE. LYNE

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